MSO Law Firm Deals Are Rising Fast, but Is One Right for Your Practice?

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Law firm leaders who once dismissed management services organization (MSO) deals are now fielding serious inquiries from private equity-backed platforms.

Holland & Knight, which maintains a practice dedicated to structuring MSO transactions, reports closing more than 15 law firm MSO deals in the last six months—with approximately 100 more in development. Large law firms, McDermott Will & Schulte and Cohen & Gresser, have both publicly acknowledged exploring potential arrangements. Rafi Law Services in Arizona announced a $125 million private equity investment structured through an MSO. Dudley DeBosier Injury Lawyers in Louisiana has launched an MSO, Orion Legal, that plans to service other firms. Already, Kentucky firm Hughes & Coleman is partnering with Orion Legal.

MSO activity is no longer a niche trend. It is a structural shift in how institutional capital is entering the legal profession, and every firm leader should understand both the opportunity and the risks before taking a meeting.

What is an MSO law firm structure, exactly?

An MSO law firm consists of a split-entity structure designed to work around a state's RPC Rule 5.4's prohibition on nonlawyer ownership of law firms. In the typical law firm MSO structure, the attorneys retain full ownership of the legal practice: the entity that holds client engagements, carries malpractice coverage, and maintains exclusive authority over legal decisions. A separate MSO entity, typically backed by private equity, acquires the firm's non-legal operating infrastructure: technology systems, office leases, marketing, billing and collections, finance, human resources, and administrative staff.

The two entities are bound by a long-term management services agreement (MSA), often running 20 to 30 years with renewal provisions, under which the firm pays the MSO a management fee in exchange for those services. The fee structure is calibrated to avoid prohibited revenue or profit sharing—typically fixed, cost-plus, or benchmarked to arm's-length market rates.

On paper, the lawyers stay in control of law, and the MSO runs the business. In practice, the line between those two functions is harder to maintain than any MSA suggests, a point examined in detail below.

The real appeal of the legal MSO model: capital and focus

The reason most firms consider the MSO law firm model comes down to two things: access to capital and reclaiming time for legal work.

Getting access to growth capital when traditional financing has closed

Law firms have always faced constraints in accessing outside capital. Rule 5.4 forecloses traditional equity investment. As a result, most firms depend on partner capital contributions, retained earnings, and business loans. This financing model works for firms content with organic growth but falls short for those seeking to expand into new practice areas, open additional offices, or invest aggressively in AI-powered service delivery.

Business loans were supposed to fill that gap. But 2026 has made that path materially harder. Three sweeping changes to the U.S. Small Business Administration's lending rules took effect March 1, 2026, and they collectively represent the most significant tightening of SBA financing in years.

Citizenship requirements that bar many attorney-owners. Under SBA Policy Notice 5000-876441, 100% U.S. citizen ownership is now required across all SBA lending programs. Even 1% ownership by a green card holder disqualifies the entire business. The rule applies to direct and indirect ownership. The SBA will trace ownership through cap tables, holding companies, and trusts. For firms with immigrant partners, international founders, or complex ownership structures, SBA financing is now off the table entirely. This change may also limit who may own the newly-formed MSO, the whole purpose for pursuing an SBA loan.

The end of fast-track loan approvals. The FICO Small Business Scoring Service score—the automated tool that allowed smaller SBA loans to move through a streamlined approval process—was discontinued effective March 1, 2026. Every SBA 7(a) Small Loan now requires full manual credit analysis, including documented debt service coverage ratios of at least 1.10:1, two months of commercial bank statements, and a written narrative addressing why the applicant cannot obtain financing elsewhere. What was once a predictable, fast-track process for loans under $350,000 is now a full underwriting exercise.

Collateral requirements that change the calculus for every loan. Collateral is now required for all SBA loans exceeding $50,000, down from the previous $500,000 threshold. For many law firms, the lack of corporate assets means that lawyers will be

required to use personal assets as collateral. These loans may now put personal assets, like homes, at risk if the business plan fails.

For startup and acquisition loans, borrowers must also inject a minimum of 10% equity, meaning zero-down acquisition financing through the SBA is no longer available. For managing partners who had assumed SBA financing would support a strategic acquisition or office expansion, these changes are a material constraint.

MSO deals are filling a capital vacuum that changes to traditional financing have created, or, for many attorneys, have now permanently closed.

Redirecting attorney time toward billable work

Beyond capital, many attorneys are drawn to MSO arrangements for a simpler reason: running a law firm is not the same as practicing law, and the administrative burden of the former consistently erodes capacity for the latter.

Managing a firm means overseeing HR decisions, vendor contracts, IT infrastructure, marketing budgets, accounts receivable, regulatory compliance, and dozens of other functions that have nothing to do with client service. Clio's *Legal Trends Report*found that these administrative tasks make up nearly half of a lawyer's nonbillable time.

An experienced MSO can professionalize these functions and take them off the attorneys' plates. That is a genuine benefit. Time spent on administrative work is time not spent on billable matters, client development, or building the firm as a legal institution.

When an MSO law firm deal stops making sense

There are real benefits to MSOs for law firms. But MSO arrangements aren't right for every type of practice, and understanding where these deals tend to go wrong can help you make the right decision before signing a multi-decade contract.

You lose meaningful control over staffing

One of the most significant long-term consequences of an MSO deal is what happens to staffing decisions over time. Once the MSO controls HR infrastructure—recruiting systems, hiring platforms, onboarding workflows, performance management tools, and compensation budgets—it has substantial influence over who works at the firm, even if the attorneys nominally retain the power to approve each hire.

Illinois recognized this risk explicitly in House Bill 5487, which specifically prohibits MSOs from selecting, hiring, or terminating attorneys or allied legal staff. The legislature understood something that MSA drafters often obscure: when someone else controls the systems, budgets, and workflows surrounding a staffing decision, they exercise substantial functional control over that decision regardless of what the contract provides.

In practice, if the MSO determines that the firm should be staffed with lower-cost paralegals rather than experienced legal assistants, it doesn't need to override attorney objections. It funds one model and not the other, designs intake workflows that favor the lower-cost approach, and presents business case analyses supporting its preferred outcome. The attorneys might retain formal authority, but it is the MSO which shapes the available choices.

You concede technology decisions to the MSO

Technology selection has become one of the most consequential decisions a law firm makes. The choice of practice management software, legal AI platform, billing system, document management tools, and client communication infrastructure affects service quality, data security, staff productivity, and competitive positioning—and creates switching costs that lock firms in for years.

When an MSO controls the technology infrastructure, those decisions are no longer the firm's. The MSO will select technology that serves its interests as a multi-firm platform: standardized across its portfolio, optimized for its own reporting and cost management needs, and evaluated against criteria that may or may not align with the firm's clients or attorneys. Important considerations like protecting attorney-client privilege and confidentiality may not be given the appropriate attention by the MSO. An MSO's incentive is to centralize technology across all the firms it manages. The law firm's interest is to have the best available tools for its practice. These objectives frequently conflict, and in a long-term contractual relationship, the party writing the checks for the technology has the final word.

You risk quality degradation and contract lock-in

Perhaps the most underappreciated risk in MSO law firm transactions is what happens to service quality over a long-term contract when the relationship matures, or when it becomes less strategically important to an MSO that has grown its portfolio considerably.

The initial pitch from an MSO emphasizes what the firm is gaining: capital, operational expertise, marketing capability, and technology infrastructure. What the pitch doesn't address is what year 12 of a 20-year contract looks like when the MSO is managing 40 firms, is under pressure from its private equity investors to hit margin targets, and is

identifying ways to reduce per-firm operating costs. In that version of the relationship, the dedicated account team becomes a shared resource, technology upgrades slow, marketing investment per firm decreases, and administrative support staff turns over repeatedly as compensation is reduced to protect margins.

And the firm cannot leave—not without triggering financial penalties or facing the practical reality that its operations have become so deeply integrated with the MSO's infrastructure that a clean exit would be operationally devastating.

This is not a hypothetical. In February 2026, PM Law Group, a United Kingdom accumulator firm operating across 11 law firms with 30 trading names, suddenly ceased operations. Six hundred people across multiple offices arrived to work on a Monday to find locked doors and revoked system access. Tens of thousands of live cases were left without active representation. The Solicitors Regulation Authority has since made emergency payments to clients and received more than 50 applications to its compensation fund. When combined with the prior collapse of Axiom Ince, the cumulative loss of client money in accumulator firm failures in the UK now stands at approximately £100 million.

The UK legal market structure differs from the United States. The structural dynamics of concentrated operational control under a long-term contract do not.

What other industries have learned about MSOs, and what legal should do now

The governance literature on MSO arrangements offers a clear-eyed preview of what the legal profession is entering. In a February 2026 working paper, Assistant Professor Lev Breydo of William & Mary Law School provides the first systematic account of the governance gap in which law firm MSO transactions are proliferating. His analysis of healthcare and accounting is instructive for any attorney evaluating an MSO approach.

Healthcare: control creep and documented harm

Healthcare has used the MSO model since the 1990s, under corporate practice of medicine restrictions that, like Rule 5.4, prohibit corporate control of professional practice. The enforcement record shows a consistent pattern. Formally compliant arrangements, including governance separation, independent practice boards, clear MSAs, and compliance protocols, can evolve toward greater MSO influence over clinical decisions through incremental operational integration.

Each individual step may be defensible as a business function. Cumulatively, they transform the MSO from a service provider into a de facto practice manager. The MSO hires the office manager, then the billing staff, then implements intake systems that channel patients based on revenue optimization. The mechanism is gradual and largely invisible until a disciplinary challenge or operational crisis makes it undeniable.

The empirical record is sobering. A widely cited 2024 study found that private equity nursing home acquisitions were associated with higher short-term mortality among Medicare patients, linked to staffing reductions. Other studies of private equity-owned emergency departments, dermatology practices, and ophthalmology practices have documented increased costs and higher complication rates. KKR-controlled Envision Healthcare faced allegations of violating California's corporate practice of medicine restrictions by controlling staffing, scheduling, and billing of the nominally physician-owned entity. Blackstone-owned entities faced similar allegations in Texas.

The risk is not that the MSO explicitly directs professional decisions. It is that operational control reshapes case selection, workflow standardization, settlement timing, and resource allocation in ways that influence professional judgment without appearing to do so.

Accounting: the profession that moved first and is now scrambling

Since 2021, private equity has completed approximately 147 transactions involving accounting firms, reshaping that profession with a speed that left regulators in a reactive position. The SEC is now closely monitoring private equity-driven structural changes for risks to audit quality and independence. The Public Company Accounting Oversight Board has flagged private equity investment as an inspection priority. The American Institute of Certified Public Accountants voted in 2025 to circulate draft amendments to its independence standards—its most significant Code updates since 2000—in direct response to the governance problems posed by private equity-backed structures.

The legal profession is watching this unfold in real time. As Breydo notes, each law firm MSO transaction creates market acceptance, data points, and precedent that institutionalizes the model and lowers the threshold for the next. The profession has a narrow window to establish appropriate governance frameworks before a domestic crisis forces the issue.

What law firms and regulators should do

The regulatory response in the United States has been minimal. Texas issued the first state-level ethics opinion on MSOs in February 2025, implicitly endorsing carefully structured arrangements while prohibiting revenue-based fee sharing. Colorado,

California, and Illinois have each introduced legislation imposing substantive restrictions. Colorado's House Bill 26-1421 has passed both chambers and awaits the governor's signature. The Illinois bill goes furthest, specifically prohibiting MSOs from accessing or controlling client records, selecting or terminating attorneys or legal staff, and setting competency or productivity standards for legal professionals.

But no state bar has issued model governance standards for law firm MSOs. No court has adjudicated the boundary between permissible management services and impermissible control of legal practice. The ABA has not updated its guidance since reaffirming Model Rule 5.4 in 2022 without engaging the governance questions that MSOs present.

The profession needs to close that vacuum proactively. Breydo's proposed framework offers a workable starting point: structural safeguards limiting MSOs to genuine support functions, independent directors and a board ethics committee with real veto authority over actions that threaten professional independence, and ongoing compliance monitoring by a Chief Compliance Officer who reports to the ethics committee rather than to the MSO's chief executive.

For firms currently in or considering MSO negotiations, the contractual framework matters as much as the governance structure. Any MSA should include a unilateral termination right exercisable by the law firm for material MSO interference with attorney independence—and that right must be financially feasible to exercise, meaning no prohibitive make-whole fees or restrictive covenants that render the right illusory. The MSO should not be permitted to control client records, select or terminate attorneys or legal staff, or set competency or productivity parameters for legal professionals. The Illinois bill's list of prohibitions is a reasonable baseline for what an attorney-protective MSA should include.

Who MSO law firms are actually right for

Given the risks, an honest assessment points to two specific attorney profiles for whom the MSO law firm model genuinely makes sense.

The first is the lawyer entrepreneur who wants to build a multi-jurisdiction practice through acquisition. For this attorney, the MSO is not simply a vendor. It is a consolidation platform. The MSO provides the operational infrastructure to absorb acquired firms, standardize back-office functions, and scale without rebuilding administrative capacity from scratch at every location. The risks around control and lock-in are more manageable for an attorney whose goal is to move progressively out of day-to-day management and into a rainmaker or strategic role within a growing platform.

The second is the senior lawyer seeking a structured transition for their firm toward retirement. An MSO transaction allows this attorney to take meaningful capital off the table—monetizing equity that would otherwise wait years for a traditional succession—while continuing to practice law and serve clients through a defined wind-down period. The long-term contract is less threatening when the attorney's planning horizon is a 10-year transition rather than a 30-year career.

For attorneys who want to continue practicing law on their own terms, the erosion of control over staffing, technology, and operational direction that comes with even a well-structured MSO deal will, over time, feel significant. For attorneys who end up in a poorly governed arrangement with an underperforming or financially distressed MSO, that erosion can become an existential problem for the firm.

Clio Capital: Growth capital without giving up control

For firms that want capital to grow without the governance trade-offs of an MSO transaction, there is an alternative. Whether the goal is hiring associates, expanding office space, investing in technology, or funding marketing, growth shouldn't require giving up the firm's independence.

Clio Capital provides financing for law firms directly through Clio Manage. Eligibility is based on payment volume and history through Clio Payments, so firms that process client payments through Clio are pre-qualified based on actual financial performance—not citizenship status, FICO scores, or collateral availability. There is no lengthy application process, no requirement to document why the firm cannot obtain financing elsewhere, and no weeks of underwriting review.

The application takes minutes and applying doesn't affect credit scores. Approved firms receive funds in as little as two business days. The total cost is a single flat fee. No compound interest accruing over the repayment period, no prepayment penalties if the firm pays early. Repayment is handled through a weekly automated debit from the firm's operating account. Firms can select the financing amount that fits their needs, up to their pre-qualified maximum, and see all costs upfront before accepting.

What Clio Capital offers matters as much as what it leaves out. There is no management services agreement. There is no investor weighing in on operational decisions. There is no surrender of authority over who works at the firm or which technology the firm uses. Capital is available when needed, on terms the firm controls, without structural entanglements that extend for decades.

For law firms that need growth capital to seize a near-term opportunity—a lateral hire, a second location, an AI tool investment, cash flow coverage while a major matter moves through billing—Clio Capital provides the financing at the speed growth requires. The firm keeps its independence; lawyers keep control.

Is an MSO law firm deal right for your practice?

An MSO law firm deal is a long-term trade. Capital and operational support now, in exchange for shared authority over staffing, technology, and firm strategy for the next 20 to 30 years. For the entrepreneur building a multi-jurisdiction practice or the senior partner planning a retirement glide path, the trade can work because the contract length matches the strategic horizon.

For attorneys who want to keep building on their own terms, the deal that looked like a partnership in year one can start to feel like a long-term service contract by year ten. And by then, the cost of leaving is usually higher than the cost of staying.

If you're deciding whether to adopt an MSO model, weigh whether the trade-offs of a specific arrangement make sense for the firm's goals over the full life of the contract. If the answer is no, growth capital is still available through other channels, including Clio Capital, without giving up authority over the firm.

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Frequently asked questions

What is an MSO law firm?

An MSO law firm is a split-entity structure where attorneys retain ownership of the legal practice while a separate management services organization, usually backed by private equity, owns the firm's operational infrastructure: technology, leases, marketing, billing, and HR. The two entities are bound by a long-term management services agreement, typically running 20 to 30 years.

How does an MSO law firm structure work?

The structure separates legal practice from business operations. Attorneys keep authority over legal services offered and client advice. The MSO acquires the firm's operational infrastructure and provides services back to the firm under a management services agreement (MSA). The firm pays the MSO a management fee that is typically fixed, cost-plus, or benchmarked to arm's-length market rates to avoid prohibited revenue or profit sharing under Rule 5.4.

What are the risks of an MSO law firm deal?

The three biggest risks are loss of authority over staffing decisions, loss of authority over technology selection, and quality degradation combined with contract lock-in over the life of a 20- to 30-year agreement. Once the MSO controls HR infrastructure, hiring budgets, and recruiting systems, it has substantial functional control over who works at the firm. Once it controls technology infrastructure, the firm's tech stack gets standardized to the MSO's portfolio rather than to the firm's clients. And as the MSO grows its portfolio, per-firm attention and investment can decline while exit costs increase.

Who should consider an MSO law firm deal?

Two attorney profiles tend to benefit. The first is the entrepreneur building a multi-jurisdiction practice through acquisition, who needs operational infrastructure to scale. The second is the senior partner planning a structured retirement, who wants to monetize equity now and continue practicing through a defined wind-down period, stepping out of day-to-day administrative management. For both, the long contract aligns with the long strategic horizon.

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